

NORTH ADAMS COMMUNITY
MEMORIAL LIBRARY

AUDIT REPORT

JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name NORTH ADAMS COMM. MEMORIAL LIBRA	County HILLSDALE
Fiscal Year End 06/30/07	Opinion Date 02/28/08	Date Audit Report Submitted to State 03/03/08	

We affirm that:

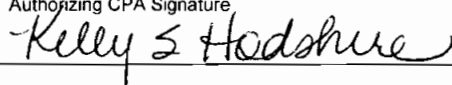
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C.		Telephone Number 517-849-2410	
Street Address 479 E. CHICAGO ROAD		City JONESVILLE	State MI
		Zip 49250	
Authorizing CPA Signature 		Printed Name KELLY S. HODSHIRE	License Number 1101020992

CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	2 - 4
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet - Statement of Net Assets	5
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance - Statement of Activities	6
Notes to Financial Statements.....	7 - 12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	13

Bailey, Hodshire & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
North Adams Community Memorial Library
North Adams, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Adams Community Memorial Library, Hillsdale County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the North Adams Community Memorial Library as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 to 5 and page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, PC
Jonesville, Michigan
February 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Adams Community Memorial Library

Management's Discussion and Analysis Year Ended June 30, 2007

New Financial Reporting

As management of the North Adams Community Memorial Library, North Adams, Michigan, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Library.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2007 from the point of view of the Library's administration. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$188,908 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$42,144, as a result of current year activity at the government wide level. This decrease is primarily due to depreciation expense charged to the current period.
- Total governmental fund balance decreased by \$1,775 in the current year at the fund level.
- At the close of the current fiscal year, undesignated fund balance of the general fund was \$10,607 or 34% of total general fund expenditures.

Using this Annual Report

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statement includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The *governmental activities* financial statements are designed to provide readers with a broad view of the Library's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Library's finances and whether the full cost of government services have been funded.

North Adams Community Memorial Library

Management's Discussion and Analysis

Year Ended June 30, 2007

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information presenting budgetary comparisons for the Library's General Fund.

CONDENSED FINANCIAL INFORMATION

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2006 and the changes in the net assets during the current year.

	<u>6/30/2007</u>	<u>6/30/2006</u>
Current Assets	\$ 28,015	\$ 29,675
Capital Assets, Net	<u>161,838</u>	<u>202,207</u>
Total Assets	<u>\$189,853</u>	<u>\$ 231,882</u>
Liabilities	<u>\$ 945</u>	<u>\$ 830</u>
Net Assets		
Invested in Capital Assets	\$161,838	\$ 202,207
Restricted	0	0
Unrestricted	<u>27,070</u>	<u>28,845</u>
Total Net Assets	<u>\$188,908</u>	<u>\$ 231,052</u>
Revenue	\$ 29,332	\$ 28,234
Expenses - Library Services	<u>(71,476)</u>	<u>(29,242)</u>
Change in Net Assets	<u>\$ (42,144)</u>	<u>\$ (1,008)</u>

The Library's total net assets were \$188,908 at June 30, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$27,070 at the end of the fiscal year. The net assets invested in capital assets were \$161,838.

Governmental Activities

The Library's governmental revenues totaled \$29,332 with the greatest revenue source being penal fines. Penal fines make up approximately 50 percent of total governmental revenue. Municipal contributions are the second largest source of revenue and make up approximately 41 percent of total governmental revenue.

The Library incurred expenses of \$71,476 during the year. The majority of governmental expense is associated with depreciation and the staffing of the Library, which provides all library services. Depreciation represents 56 percent of the Library's total expenses and Salaries represent 17 percent

North Adams Community Memorial Library

Management's Discussion and Analysis Year Ended June 30, 2007

The Library's Funds

The Library's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 6 and 7. The fund column provides detailed information about the most significant fund, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The Library did not have any nonmajor funds for the fiscal year ended June 30, 2007.

Library Budgetary Highlights

The general fund budget was not amended during the year to reflect unexpected increases and decreases in various expense categories. Overall, actual revenue were \$1,820 less than budgeted while total expenditures were \$3,701 under the final budget. The Library's budget for fiscal year 2008 has projected revenues and expenditures similar to fiscal year 2007.

Factors bearing on the Library's future

The Library is dependent on penal fines, municipal contributions and state aid for operations and if these sources were cut, it would effect operations. The Library Board continues to operate within budget and provide needed services for the community. The Library offers summer and children's programs.

The Library may find it necessary to use funds currently invested in certificates of deposit for operations. The Library might have the opportunity for expansion into the area next door, now occupied by Adams Township. The expansion would require additional renovations to accommodate the Library which may not be possible for the Library to afford.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the North Adams Community Memorial Library Board of Directors.

BASIC FINANCIAL STATEMENTS

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2007

	General Fund Modified Accrual		Statement of
	Basis	Adjustments	Net Assets
ASSETS			
Cash and Cash Equivalents	\$ 28,015	\$ 0	\$ 28,015
Fixed Assets, net	<u>0</u>	<u>161,838</u>	<u>161,838</u>
Total Assets	<u>\$ 28,015</u>	<u>\$ 161,838</u>	<u>\$ 189,853</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	<u>\$ 945</u>	<u>\$ 0</u>	<u>\$ 945</u>
Total Liabilities	<u>\$ 945</u>	<u>\$ 0</u>	<u>\$ 945</u>
FUND BALANCE/NET ASSETS			
Fund Balance - Unreserved/Undesignated	\$ 10,607	\$ (10,607)	<u>\$ 0</u>
Fund Balance - Designated	<u>16,463</u>	<u>(16,463)</u>	<u>0</u>
Total Fund Balance	<u>\$ 27,070</u>	<u>\$ (27,070)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 28,015</u>		
Net Assets			
Invested in Capital Assets - Net of Related Debt		\$ 161,838	\$ 161,838
Restricted		0	0
Unrestricted		<u>27,070</u>	<u>27,070</u>
Total Net Assets		<u>\$ 188,908</u>	<u>\$ 188,908</u>
Total Liabilities and Net Assets			<u>\$ 189,853</u>

The accompanying notes are an integral part of this statement.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
JUNE 30, 2007

	General Fund Modified Accrual		Statement of
	<u>Basis</u>	<u>Adjustments</u>	<u>Activities</u>
REVENUE			
State Aid	\$ 764	\$ 0	\$ 764
Penal Fines	14,678	0	14,678
Municipal Contributions	12,150	0	12,150
Interest on Investments	349	0	349
Gifts & Memorials	727	0	727
Miscellaneous	<u>664</u>	<u>0</u>	<u>664</u>
Total Revenue	<u>\$ 29,332</u>	<u>\$ 0</u>	<u>\$ 29,332</u>
EXPENDITURES			
Wages	\$ 12,426	\$ 0	\$ 12,426
Payroll Taxes	896	0	896
Supplies and Maintenance	805	0	805
Books	2,888	0	2,888
Videos	166	0	166
Subscriptions	249	0	249
Rent	10,000	0	10,000
Utilities	1,913	0	1,913
Postage	152	0	152
Reading Programs	313	0	313
Miscellaneous Expense	1,299	0	1,299
Depreciation	<u>0</u>	<u>40,369</u>	<u>40,369</u>
Total Expenditures	<u>\$ 31,107</u>	<u>\$ 40,369</u>	<u>\$ 71,476</u>
Excess of Revenue Over (Under)			
Expenditures/Change in Net Assets	\$ (1,775)	\$ (40,369)	\$ (42,144)
Fund Balance/Net Assets - Beginning	<u>28,845</u>	<u>202,207</u>	<u>231,052</u>
Fund Balance/Net Assets - Ending	<u>\$ 27,070</u>	<u>\$ 161,838</u>	<u>\$ 188,908</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Adams Community Memorial Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

Financial Reporting Entity

The North Adams Community Memorial Library is located in the Village of North Adams, Hillsdale County, Michigan, and is governed by a seven member board. One member is appointed by the Village of North Adams, one is appointed by Adams Township, and one is appointed by Moscow Township. The financial support is provided primarily through Hillsdale County penal fines with additional support from municipal contributions of the State of Michigan (State Aid), Village of North Adams, and the Townships of Adams and Moscow, as well as charitable donations and memorials. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the municipal contributions are susceptible to accrual. All other revenue items are considered to be available only when the cash is received by the Library.

Financial Statement Presentation

The Library reports the following major governmental fund: the General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	39 years
Furniture and Fixtures	7 years
Library books, periodicals, etc.	7 years
Computer equipment	5 years

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets, Budgetary Accounting and Budget Basis of Accounting - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by North Adams Community Memorial Library.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Library Board at the line-item level. Any budgetary modifications may only be made by resolution of the Library Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to June 30, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 3) The Library Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

<u>Description</u>	<u>Amount of</u>		
	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Supplies and Maintenance	\$ 700	\$ 805	\$ 105
Videos	50	166	116
Subscriptions	200	249	49
Postage	130	152	22

NOTE 3 - DEPOSITS AND INVESTMENTS

The Library uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings, and certificates of deposit. the interest rates of the savings accounts are at variable daily rates.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The Library's deposits are subject to several types of risk, which are examined in more detail as follows:

Interest Rate Risk - In accordance with its investment policy, the Library minimizes interest rate risk, which is the risk that market value of securities in the portfolio will fall due to changes in the market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and by limiting the average maturity in accordance with the Library's cash requirements.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library minimizes credit risk by limiting investments to the types of securities allowed by State law. The Library's investment policy puts no further limits on its investment choices.

Concentration of Credit Risk - The Library will minimize concentration of credit risk, which is the risk of loss attributed to magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk (Deposits) - In the case of deposits, this is the risk that in the event of a financial institution failure, the Library's deposits may not be recovered. As of June 30, 2007, all of the bank balance of \$28,636 was insured for custodial credit risk. Certificates of deposits are included in the above totals.

Foreign Currency Risk - The Library is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Books, Audios, Videos	\$ 281,749	\$ 0	\$ 0	\$ 281,749
Equipment	10,356	0	0	10,356
Furniture and Fixtures	<u>13,284</u>	<u>0</u>	<u>0</u>	<u>13,284</u>
Total Capital Assets	\$ 305,389	\$ 0	\$ 0	\$ 305,389
Less: Accum. Depreciation	(103,182)	(40,369)	0	(143,551)
Net Capital Assets	<u>\$ 202,207</u>	<u>\$ (40,369)</u>	<u>\$ 0</u>	<u>\$ 161,838</u>

Depreciation expense for the fiscal year ended June 30, 2007 and 2006 was \$40,369 for each year.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - LEASE OF FACILITIES

The Library utilizes space in the Adams Township Hall. In prior years, the Township provided this space rent-free as in-kind funding for library services. For the 2006-07 fiscal year, the Township paid the Library \$10,350 for library services and charged \$10,000 for rent.

NOTE 6 - UNEMPLOYMENT TAXES

The Library is a reimbursing employer to the Michigan Employment Security Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfiled.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, physical damage (equipment and building contents), workers compensation, and other appropriate coverage. There has been no significant reduction in insurance coverage and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 8 - CONCENTRATIONS

The Library receives a major portion of its revenue from the County of Hillsdale in the form of allocated penal fines. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

NOTE 9 - DESIGNATED FUND BALANCE

The Board has designated a portion of fund balance for Library improvements. The amount of designation is equal to the June 30, balance of the two certificates of deposit held at Flagstar bank.

NOTE 10 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	<u>2007</u>	<u>2006</u>
Total Fund Balance - Modified Accrual Basis	\$ 27,070	\$ 28,845

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources,
and are not reported in the funds

	<u>161,838</u>	<u>202,207</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 188,908</u>	<u>\$ 231,052</u>

Net Change in Fund Balances - Modified Accrual Basis	\$ (1,775)	\$ (1,008)
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Amounts reported in the statement of net activities are different because:

Capital costs are allocated over their estimated
useful lives as depreciation

	<u>(40,369)</u>	<u>(40,369)</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ (42,144)</u>	<u>\$ (41,377)</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2007

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Over (Under) Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 28,845	\$ 28,845	\$ 28,845	\$ 0
Resources (Inflows)				
State Aid	1,600	1,600	764	(836)
Penal Fines	15,000	15,000	14,678	(322)
Municipal Contributions	12,500	12,500	12,150	(350)
Interest on Investments	60	60	349	289
Gifts & Memorials	1,342	1,342	727	(615)
Miscellaneous	<u>650</u>	<u>650</u>	<u>664</u>	<u>14</u>
Amounts Available for Appropriation	<u>\$ 59,997</u>	<u>\$ 59,997</u>	<u>\$ 58,177</u>	<u>\$ (1,820)</u>
Charges to Appropriations (Outflows)				
Wages	\$ 12,500	\$ 12,500	\$ 12,426	\$ (74)
Payroll Taxes	960	960	896	(64)
Supplies and Maintenance	700	700	805	105
Books	4,946	4,946	2,888	(2,058)
Videos	50	50	166	116
Subscriptions	200	200	249	49
Rent	10,500	10,500	10,000	(500)
Utilities	2,100	2,100	1,913	(187)
Postage	130	130	152	22
Reading Programs	410	410	313	(97)
Miscellaneous Expense	<u>2,312</u>	<u>2,312</u>	<u>1,299</u>	<u>(1,013)</u>
Total Charges to Appropriations	<u>\$ 34,808</u>	<u>\$ 34,808</u>	<u>\$ 31,107</u>	<u>\$ (3,701)</u>
Budgetary Fund Balances - June 30, 2007	<u>\$ 25,189</u>	<u>\$ 25,189</u>	<u>\$ 27,070</u>	<u>\$ 1,881</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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February 28, 2008

Library Board
North Adams Community Memorial Library
110 E. Main Street
North Adams, MI 49262

To the Members of the Board:

In connection with our audit of the North Adams Community Memorial Library for the year ended June 30, 2007, we would like to make the following comments and recommendations:

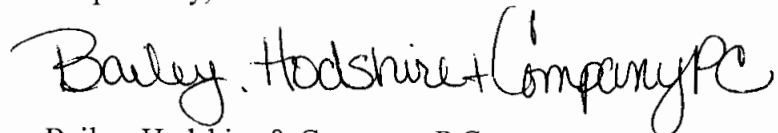
1. During the year the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws.

<u>Description</u>	<u>Amount of Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Supplies and Maintenance	\$ 700	\$ 805	\$ 105
Videos	50	166	116
Subscriptions	200	249	49
Postage	130	152	22

We recommend that the Library monitor the budget more closely and make the necessary amendments to prevent over-expenditure.

If we can be of assistance in regard to these recommendations, please contact our office.

Respectfully,



Bailey, Hodshire & Company, P.C.
Certified Public Accountants